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2004

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Report Highlights:

U.S. bottled wine shipments to Japan rose 20 percent by volume in 2003 (with value down 2% at nearly \$60 million), increasing U.S. market share nearly 3 points to 13.7 percent. France and Italy, the largest suppliers, again lost market share to New World wines. The continued replacement of Japanese domestic wines by major, lower-priced California labels at retail was a key factor driving U.S. volume growth. Japan's total bottled wine imports increased in value, but fell 4.3 percent in volume. This reflected a general trend toward consumption in higher price ranges as well as the popularity of shochu, a competing alcoholic beverage. In 2004 (through September), bottled and sparkling wine imports have been rebounding. Despite growing competition, the outlook remains very positive for U.S. wine, as further deregulation of retail liquor licensing expands the market and a weaker dollar vis-à-vis yen/euro rates enhances U.S. opportunities to build on last year's gains.

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JAPAN WINE MARKET ANNUAL REPORT

I. INTRODUCTION

1.1 Executive summary

The overall wine market remains stable

Despite a 4 percent drop in volume in 2003, wine imports held their own in the overall Japanese alcoholic beverages market. With national alcohol consumption also down 4 percent in 2003, wine sales continued to account for 6 percent of total alcohol expenditures. Wine sales have maintained this 6 percent share for six consecutive years, up from just 3 percent in 1994. Moreover, this year imports appear to be rebounding: volumes for wine and sparkling wine are up 3.6 percent through September 2004 compared with the same period last year. (see section 3.3 “Imported wine,” pp. 13-17).

New World wines strengthen their position

In 2003, overall wine imports dropped by 60,000 hl, or 4 percent, with individual import volume from most countries, such as France, Italy, and Germany, dropping as well. Three new world producers, however, managed to significantly increase shipments: the United States by 20 percent, Australia by 9 percent, and Argentina by 6 percent. The growth in US exports was fueled by an array of California wines selling for less than ¥1000 per bottle at retail.

Completion of liquor sales deregulation

In September 2003, restrictions on issuing of retail liquor licenses were lifted, though it took about a year for changes to take full effect. The ensuing increase in supermarkets and convenience stores that sell alcohol has expanded the market for lower-priced wines, a segment in which US products are especially strong (see section 3.4.1 “Retail,” pp. 18-20).

Exchange rate trends benefit US producers

With the euro-yen exchange rate remaining above ¥130, many importers have had to increase prices on their European wines. Meanwhile, the dollar-yen rate has hovered between ¥105-110, making US wines comparatively less expensive. Nevertheless, US wine prices so far have not changed to reflect the strong euro, weak dollar trend.

1.2 Structure of this report

This report is designed to provide an overview of current trends and likely future developments in the Japanese wine market for US wine exporters. Section II begins with an alcoholic beverage market overview that outlines overall alcohol consumption trends.

Section III broadly examines consumption trends in the Japanese wine market in demographic and regional terms. Also provided is an analysis of the domestic and imported wine markets, along with a brief outline of major wine exporters’ activities in the Japanese market. Section III concludes with an analysis of the distribution channels for wine and their implication for US exporters.

Section IV concludes with a discussion of the major regulatory and tax issues affecting the wine market in Japan. The report also includes two appendices, the first of which provides information

on major wine import regulations in Japan. The second is a selection of statistical tables providing detailed updated statistical data on wine exports to Japan.

1.3 1.3 Glossary

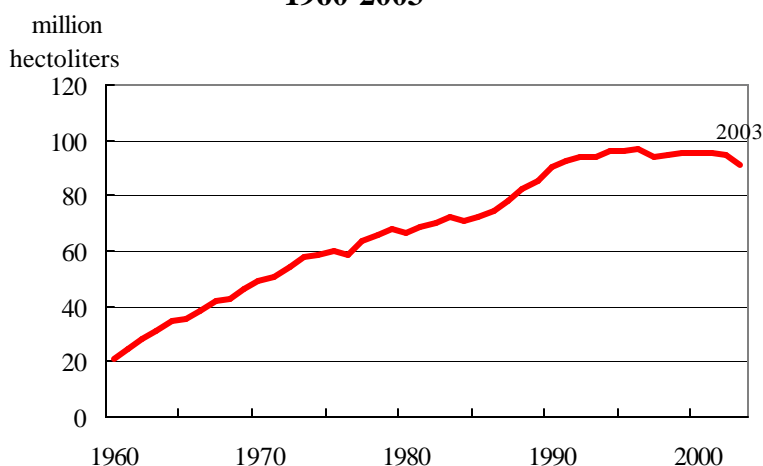
Chu-Hi	A fruit flavored, ready-to-drink, carbonated cocktail with a liquor base (vodka, shochu, etc.).
Happoshu	Essentially a low malt beer, happoshu made its debut about ten years ago as cheap alternative to standard beer. Because it contains less malt (and flavor), happoshu avoids the draconian tax that comes with the same official classification as standard beer.
National Tax Agency	A government organization whose responsibilities include tracking shipments of all types of liquor in Japan as well as administering taxes on alcohol.
Shochu	A traditional Japanese liquor, shochu is a clear alcoholic beverage that can be made from the distilled spirits of various materials such as potatoes, sweet potatoes, barley, buckwheat, etc.

II. AN OVERVIEW OF JAPAN'S ALCOHOLIC BEVERAGE MARKET

1.4 2.1 Japan's changing alcohol consumption

Alcohol consumption in Japan has increased significantly and steadily for several decades along with Japan's rapid economic growth. Consumption subsequently leveled off, however, in the early 1990's as Japan entered a recession from which it is still trying to recover (see Fig. 1). At the same time, the composition of Japan's alcohol consumption continues to undergo rapid change as new products enter the market and consumers' tastes broaden (see Fig. 2). Although wine consumption in Japan has grown significantly through decades, the wine share in the total alcohol consumption is very small if compared to other countries (see Fig. 3).

**Fig. 1: Japan Alcohol Consumption
1960-2003**



Source: National Tax Agency

Beer and Happoshu: Though beer has traditionally accounted for more than half of Japan's total alcohol consumption, since 1994 it has faced increasing competition from a cheaper, low-malt beer variety called happoshu. Nevertheless, recent total volumes for beer and happoshu together remain the same as total beer volumes before the introduction of happoshu.

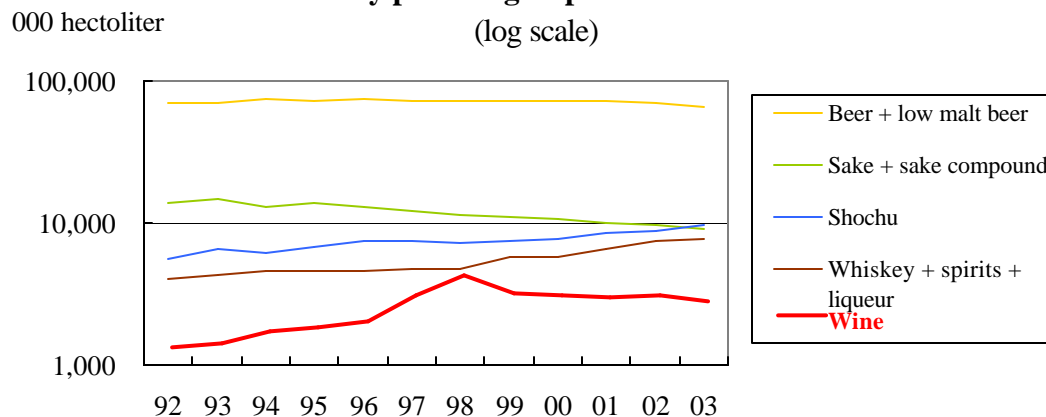
Sake: Consumption of sake, traditional Japanese rice wine, has been slowly but steadily declining during the last half century due to greater availability of a variety of other alcoholic beverages.

Shochu: Shochu, another traditional spirit, enjoyed a massive boom in 2002/2003 that continued in 2004, brought about by increased attention to its beneficial health effects and a belief that its after effects are less severe than other alcoholic beverages. Some popular varieties are still frequently out of stock.

Whisky, spirits and liqueurs: Overall, whisky has faced a serious slump for the last five years, though single malt has shown some growth. Spirits remain flat and their total volume is quite small compared to other categories. Liqueurs are most frequently used in mixed drinks. They are popular with women and many young people because of their sweet taste, lower alcohol content, and image appeal. Some chu-hi products also fall under the liqueur category.

Wine: Wine consumption has been trending upwards since the 1960s, although it has experienced several booms and busts. During the most recent “red wine boom” of 1997/98 studies touting red wine’s health benefits excited consumer interest, causing consumption to double. After the boom ended, however, consumption suffered a rebound decrease and has been hovering around its current level for the past several years.

**Fig. 2: Japanese alcoholic beverage consumption
by product group 1992-2003**



Note: Volume given as 100% alcohol equivalent

Source: Monthly Statistics Journal of Food and Liquor

Fig. 3: Cross-country comparison of adult per capita alcohol consumption
(liters per year)

Country	Total consumption	Wine consumption	Wine as a share of total (%)
Portugal	16.6	7.2	43
France	13.3	8.3	62
Germany	12.5	3.3	26
South Africa	11.5	5.0	43
Spain	11.2	4.6	41
Australia	10.3	3.4	33
UK	9.7	2.3	23
Argentina	9.6	6.9	71
Italy	9.2	7.1	77
USA	9.1	1.7	18
Romania	8.0	3.4	42
Korea	6.8	> 0.1	*
Japan	6.3	0.4	6
China	5.2	0.1	2

*: less than 0.5%

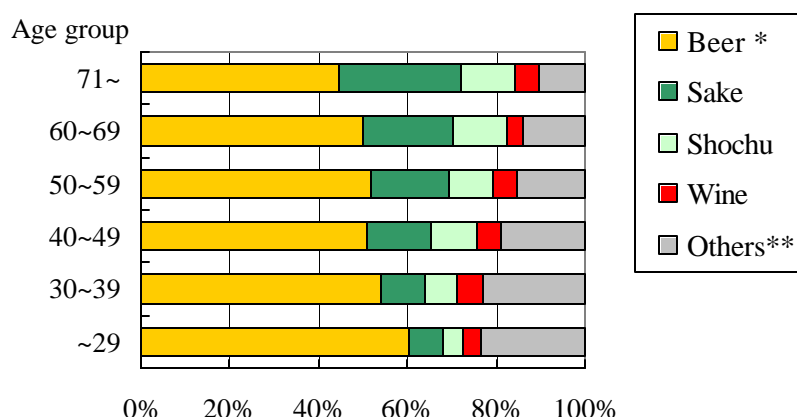
Note: Consumption volume is converted to 100% alcohol equivalent.

Source: Alcohol Database, WHO

1.5 2.2 Demographic breakdown of Japanese alcoholic beverage consumption

The Statistics Bureau of Japan's household expenditure figures indicate that beer, including low-malt beer, accounts for nearly 50% of total alcohol consumption among all age groups. Older consumers spend more on sake and shochu, both traditional liquors, while people in the 30-39-year-old range consume more wine than any other age group (see Fig. 4).

Fig. 4: Alcohol beverage expenditure share by age group
2003



* Including happoshu (low-malt beer), ** Chu-hi accounts for the bulk of this category

Source: Statistics Bureau of Japan

1.6 2.3 Geographical breakdown of Japanese alcoholic beverage consumption

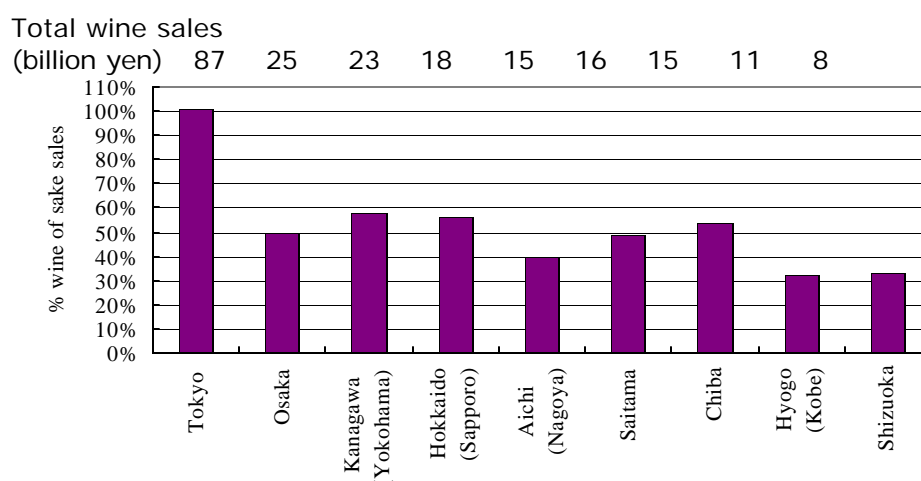
Tastes in alcohol vary greatly with location. Most wine in Japan is consumed in major urban areas, with more than 60% of premium wines consumed in Tokyo alone. In rural areas, however, beer, sake and shochu remain the alcoholic beverages of choice. Nevertheless, Japan's smaller towns and countryside do represent a significant potential market, particularly for lower priced wines sold in two or three liter packages at discount stores. These products can compete directly with high-volume, low-priced varieties of sake and shochu. If such lower-end wines can build a greater presence in rural areas, overall demand for wine in Japan will expand significantly.

Fig. 5-A: Consumption of wine and other alcoholic beverages by prefecture
Total (per capita), FY2002

(Total: ¥bill, per capita: ¥000)

Prefecture (capital city)	Wine		Beer		Sake		Shochu		Total	
	Total	Per capita	Total	Per capita	Total	Per capita	Total	Per capita	Total	Per capita
Tokyo	87	8.9	326	32.6	86	8.8	85	8.5	776	77.5
Osaka	25	3.7	190	27.2	50	7.2	34	4.9	434	62.3
Kanagawa (Yokohama)	23	3.3	112	16.2	40	5.8	41	5.9	317	45.8
Hokkaido (Sapporo)	18	4.0	95	20.5	32	7.0	37	8.1	259	56.3
Aichi (Nagoya)	15	2.7	124	22.3	38	6.9	25	4.4	282	50.9
Saitama	16	2.9	84	15.1	33	6.0	36	6.4	243	43.6
Chiba	15	3.2	72	15.0	28	5.9	28	5.9	209	43.4
Hyogo (Kobe)	11	2.6	98	19.7	34	7.4	16	4.1	229	49.4
Shizuoka	8	2.6	56	18.5	24	8.1	20	6.7	146	48.6
National Total	348	3.4	2134	21.0	806	7.9	682	6.7	5469	53.8

Fig.5-B: Wine sales as a percentage of sake sales



Source: National Tax Agency

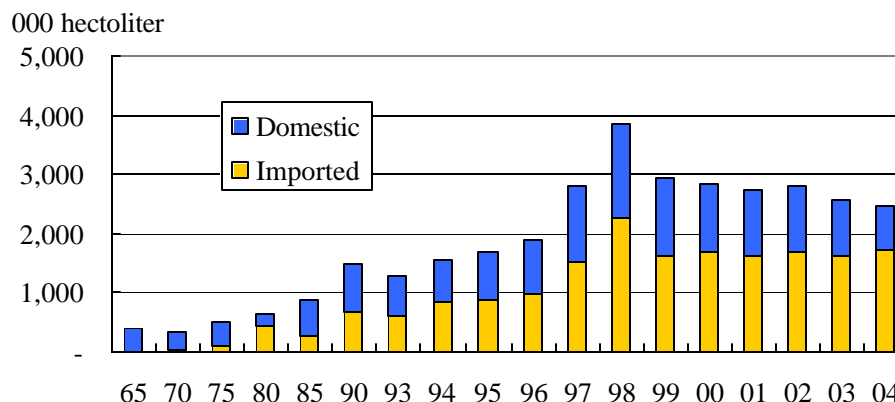
III. WINE MARKET OVERVIEW

1.7 3.1 Consumption trends

Throughout its several decades of steady expansion the Japanese wine market has experienced at least six surges in consumption. One such increase occurred when domestic wine first became available for less than ¥2000 a bottle in 1978. Another spurt occurred in the late 1970s and early 1980s when sweeter German wines became popular. The Beaujolais Nouveau boom followed in the late 1980s, and continues to be an important seasonal demand.

The most important boost to the industry, however, came in the 1990s when a series of scientific reports touting the health benefits of red wine suddenly sparked consumer interest in red wine. When these benefits became widely known in Japan in 1998, consumption more than doubled compared to 1996. However, this surge led to a buildup of excess inventories that took more than two years to clear, causing a subsequent bust—one that was exacerbated by stagnant to declining consumption. In early 2004, most Japanese traders were predicting that the wine market had bottomed out in 2003 and would begin to recover in 2004; however, as of August 2004, overall wine consumption remains at, or even a little below, 2003 levels (see Fig. 6). This slump is due mostly to continuing declines in domestic wines; meanwhile, imports have already started to recover in 2004.

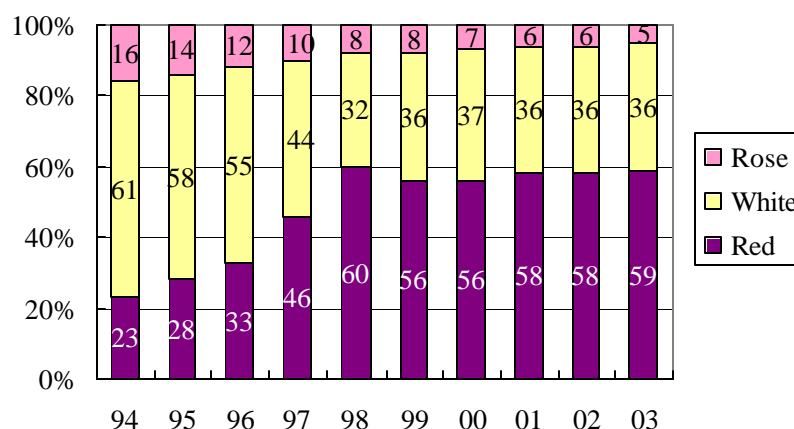
**Fig. 6: Japanese wine consumption
1965 to 2004**



*Promar estimate

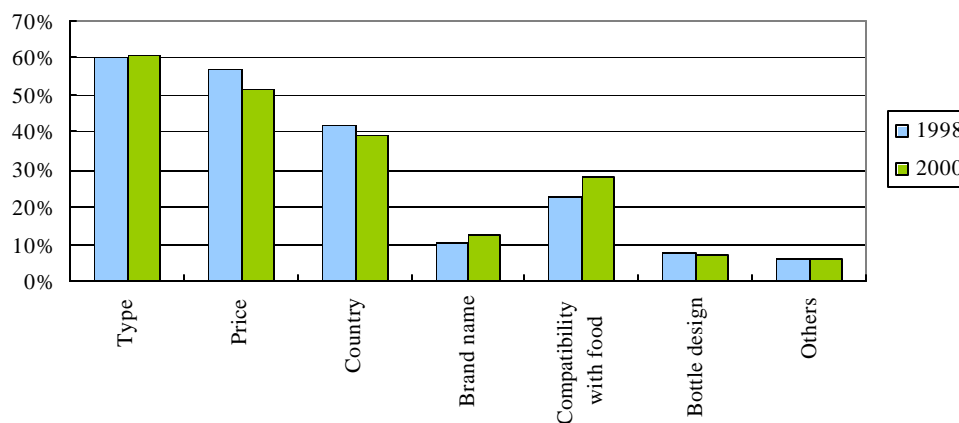
Source: National Tax Agency

Though the 1980s and early 1990s, Japanese consumers showed a preference for sweet, fruity, white wines, which accounted for more than half of all consumption. Since its boom in 1997/98, however, red wine has taken more than a 60 percent share. In fact, the percentage of red and white has reversed in the past 5 years. Meanwhile, rosé has failed to catch on with consumers and its share has dropped considerably (see Fig. 7).

Fig. 7: Wine consumption by type, 1994-2003

Source: Wine Annual Report, Mercian

Two surveys of 1,500 consumers conducted in 1998 and 2000 by Japanese wine maker and importer Mercian revealed type, price, and country of origin as the three most important factors in buyers' purchasing decisions. As Japanese consumers have become more familiar and thus more discriminating with wines, price has become slightly less important, while the product's compatibility with food has risen in importance. Although a slightly higher percentage of respondents in 2000 mentioned brand name as an important factor than in 1998, this criterion was only cited by slightly more than 10 percent of respondents (see Fig. 8).

Fig. 8: Factors influencing wine purchase decision

Source: Wine Annual Report, Mercian

Fig. 9 shows annual expenditures on wine in Japan from 1994 to 2002. Though the average cost per liter has fluctuated over the entire period, prices have, overall, been tending downwards in the past few years. This reflects both deflation in the Japanese economy as a whole and increasing sales of moderately priced New World and California wines.

Note that while total spending on alcohol declined significantly over the period, wine consumption nearly doubled, expenditures on wine rose by close to 70 percent, and wine's share of the total alcoholic beverage market doubled - from 3.0% to 6.4%. In short, Japanese consumers are buying larger quantities of wine at overall lower prices.

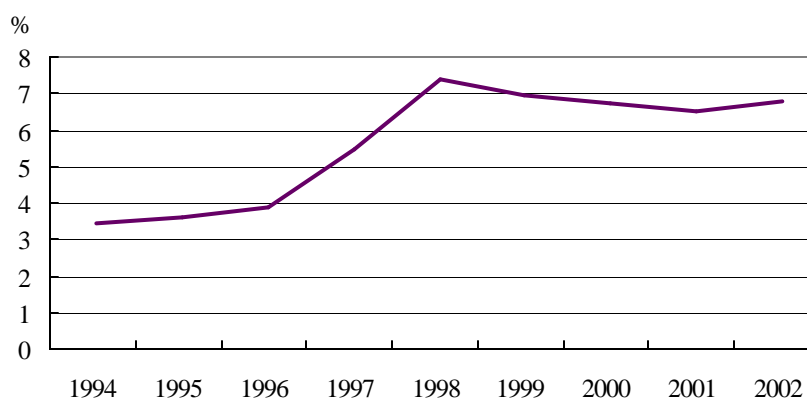
Fig. 9-A: Annual expenditures on wine, 1994-2002

Fiscal Year (April-March)

Year	Expenditure (¥bill)	Quantity (000 hectoliter)	Avg. cost per liter (¥)	Total expenditure on alcohol (¥bill)	Wine Share of total alcohol expenditure %
1994	207	1,570	1320	6,860	3.0%
1995	211	1,700	1240	6,660	3.2%
1996	227	1,880	1210	6,540	3.5%
1997	329	2,820	1170	6,510	5.1%
1998	443	3,850	1150	6,360	7.0%
1999	401	2,940	1360	6,130	6.5%
2000	369	2,840	1300	5,880	6.3%
2001	349	2,730	1280	5,720	6.1%
2002	348	2,790	1250	5,468	6.4%

Source: National Tax Agency

Fig. 9-B: Share of wine in Japanese alcohol expenditure



Source: National Tax Agency

1.8 3.2 Domestic wine

Domestic wines mainly target the low-end of the market, where average prices are lower than ¥500 and competition has become intense since the introduction of several low-priced brands from major California wineries, many of which are handled by Japan's major liquor/beer producers and distributors.

The figures below includes some non-wine beverages, such as other fruit wines and chu-hi, which are classified under the same category as wine; however, grape wine itself is estimated as two-thirds of total "domestic wine" production. While domestic wines do maintain a significant presence, they are declining each year and are mostly concentrated in the low-end market, an extremely competitive segment including American, Chilean, and Australian wines.

Fig. 10: Domestic wine* shipments, 1999-2003

Year	Volume (000 hectoliters)	Increase (or decrease) from previous year (%)
1999	1,252	(17.6)
2000	1,153	(7.9)
2001	1,101	(4.5)
2002	1,110	0.8
2003	938	(15.5)

* Includes some non-wine beverages; wine made from grape is estimated to account for two third of these shipment

Source: National Tax Agency

The following table and chart reflect the fact that the domestic wine market is dominated by a few large companies, with the top three accounting for nearly three-fourths of all sales. In 2003 sales of domestic wine declined by 7 percent compared with the previous year. This drop is explained in part by Suntory's opting for a French, rather than domestic, supplier for its flagship product, Delica Maison. Other major companies, meanwhile, have substantially increased their sales of domestic wine. Recently, the large domestic producers (i.e., Mercian, Suntory, Sapporo and Kikkoman) have attempted to differentiate their products based on quality or other value-added attributes such as organic, additive-free wines or authentic wine priced over ¥2,000.

Fig. 11: Market share of major Japanese wine manufacturers, 2002-2004

(¥million, %)

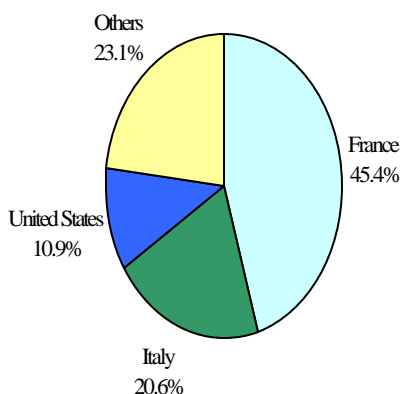
	2002		2003 (estimated)		2004 (forecast)	
	Sales	Share	Sales	Share	Sales	Share
Mercian	18,500	31.9%	18,600	34.6%	18,700	36.4%
Suntory	15,100	26.0%	9,000	16.7%	6,500	12.6%
Sapporo Beer	9,400	16.2%	10,500	19.5%	11,000	21.4%
Kikkoman	7,300	12.6%	7,500	13.9%	7,600	14.8%
Asahi Beer	5,350	9.2%	5,650	10.5%	5,800	11.3%
Others	2,350	4.1%	2,550	4.7%	1,800	3.5%
Total	58,000	100.0%	53,800	100.0%	51,400	100.0%

Source: Fuji Keizai

Fig. 12 clearly shows that domestic wine sales depend heavily on products lower than ¥500, while imported wines target a higher price zone. Now that even the low-priced wine market is being penetrated by imports (see. 3.3.1), major domestic producers are shifting their emphasis from moderately priced to premium wines costing more than ¥1500 per bottle.

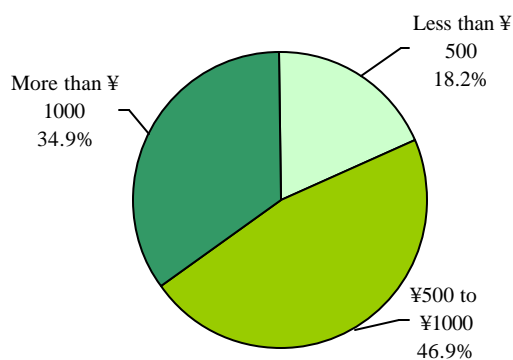
Fig. 12: Wine sales by price range 2003

2002



Total 938,000 hectoliter*

* Includes some (about 1/3) non-wine products

Total (Including imports)

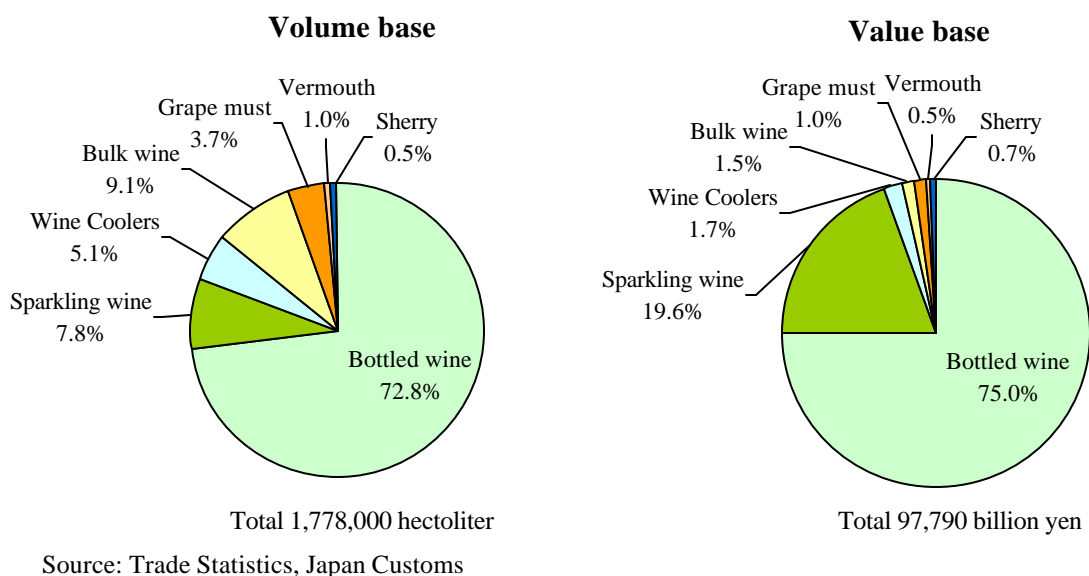
Total 2,558,000 hectoliter

Source: WANDS

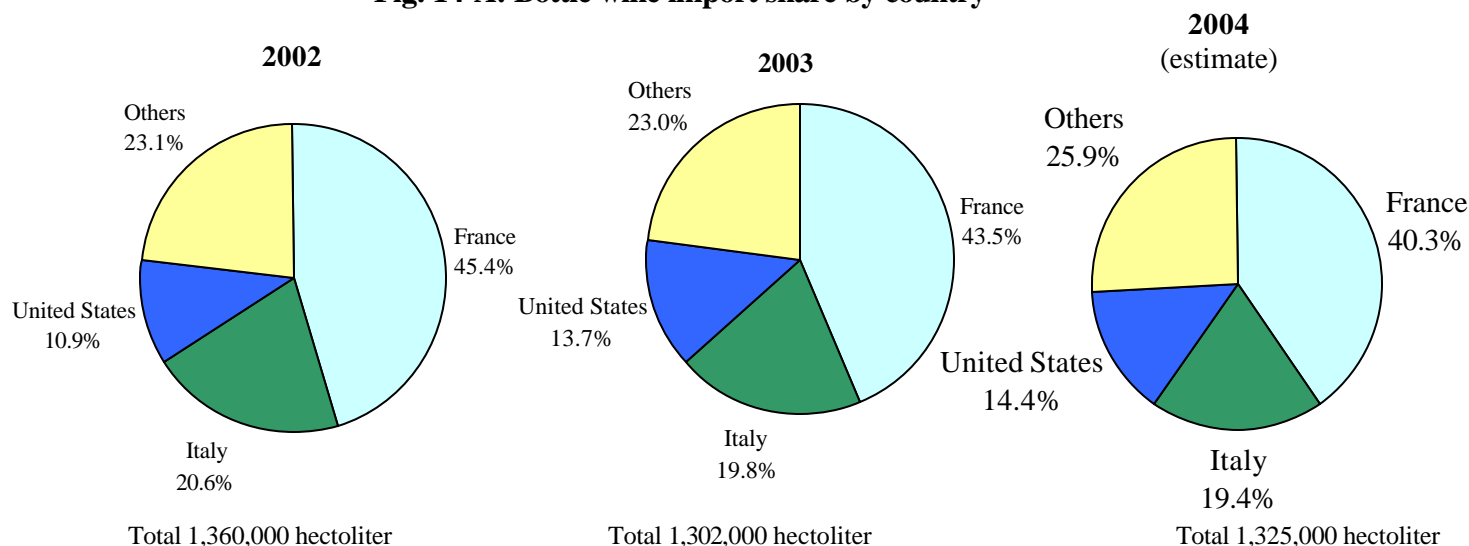
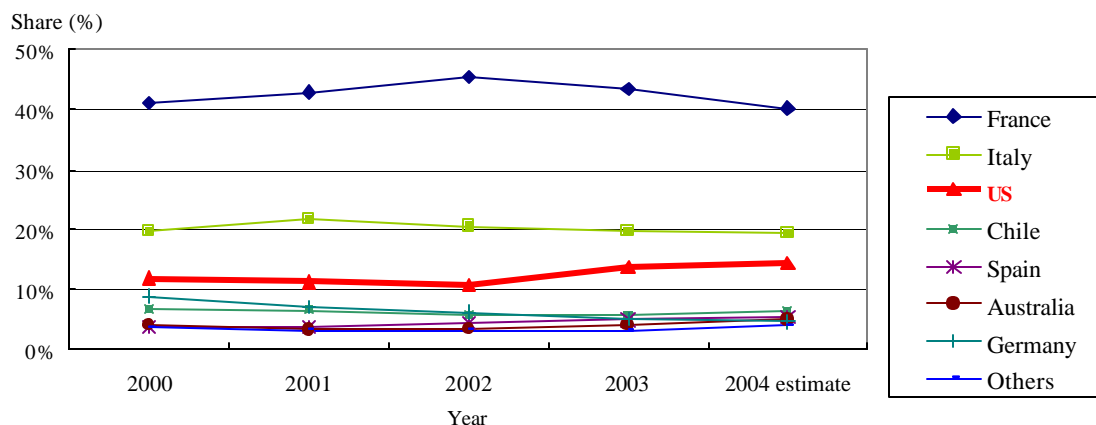
1.9 3.3 Imported wine

More than 60 percent of all wine consumed in Japan is imported. In terms of both volume and value, more than 70 percent of these imports are bottled wines. Thus, this report focuses on the bottled wine market.

**Fig. 13: Breakdown of Japanese wine imports
(2003)**



US wine achieved remarkable growth in market share between 2002 (10.9 percent) and 2003 (13.7 percent). This breakthrough was fueled by the success of California wines selling for less than ¥1,000. On the other hand, France's share, which had increased each of the last two years, fell from 45.4 to 43.5 percent. Other countries also saw their shares decrease in 2003: Italy from 20.6 to 19.8 percent; Germany from 6.3 to 5.2 percent. On the other hand, Spain and Australia both increased their share in 2003: Spain from 4.4 to 5.0 percent; Australia from 3.5 to 4.0 percent. In 2004, while the French and Italian market shares are again projected to decline, those of the United States, Australia and Spain will continue to expand (see Fig. 14).

Fig. 14-A: Bottle wine import share by country**Fig. 14-B: Share of bottled wine imports by country, 2000-2004**

Share of bottled wine imports by country (%)					
	2000	2001	2002	2003	2004*
France	41.1	43.0	45.4	43.5	40.3
Italy	19.8	21.7	20.6	19.8	19.4
US	12.0	11.3	10.9	13.7	14.4
Chile	6.7	6.6	5.7	5.7	6.5
Spain	3.7	3.7	4.4	5.0	5.6
Australia	4.0	3.3	3.5	4.0	5.0
Germany	8.9	7.1	6.3	5.2	4.7
Others	3.8	3.2	3.2	3.1	4.0
Total	100.0	100.0	100.0	100.0	100.0

Source: Trade Statistics, Japan Customs ,

Promar estimates for 2004 (based on imports through September 2004*)

*Does not include the November release of Beaujolais Nouveau (see section 3.3.2)

3.3.1 United States

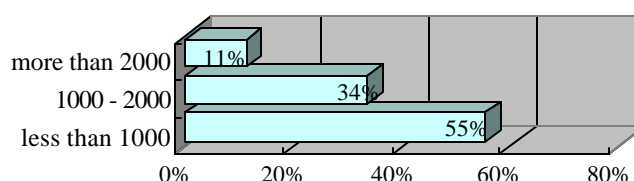
Recovering from the stagnation that followed the wine boom of 1998, US wine exports to Japan are now enjoying expanding sales. In 2003 exports of American bottled wine to Japan jumped 20 percent, while major wine exporting countries such France and Italy experienced declines in the same period. This significant growth has largely depended upon the penetration of lower-priced California wines costing less than ¥500 per 750ml bottle. Another driving force is the increasing presence of premium California wines, supported by a promotional campaign and the combination of a weak dollar and strong yen. Wines from other states such as Oregon and Washington are also growing rapidly, though their shares are still small compared to that of California.

US wines predominantly target the lower end of the market. Though wines costing ¥1000 or less comprise 55% of the Japanese wine market, they account for 80 percent of US wine imports. However, premium US wines are also well established in certain market segments and attracting greater interest as Japanese consumers' wine knowledge continues to expand. Midrange products (¥1,000 to ¥2,000) now account for roughly 16 percent of sales. Nevertheless, midrange products face a stiff challenge from the French, Italian, and Chilean wines that dominate this segment.

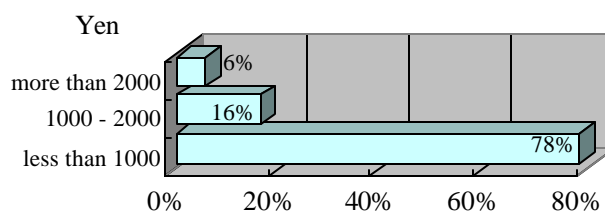
Several major California brands – e.g. Carlo Rossi, River Crest, Franzia, Almaden and Beringer – are the main drivers of lower-end market US wines. Recently a new California brand, Papio, has increased sales considerably. In Japan, these mass-market wines are popular in supermarkets, discount stores, and convenience stores and are taking market share from domestic competitors. They have also succeeded in generating popularity for bag-in-box wine in Japan.

At the same time, sales of US premium wines are rising steadily. It appears the “California Wine by the Glass” campaign, in which about 260 restaurants are serving California wines, and other U.S. promotional efforts are helping to build awareness of these products. Indeed, in Japan,

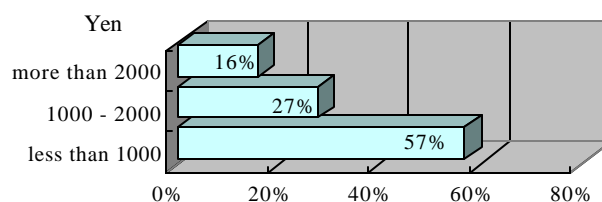
**Fig. 15: Sales breakdown by price segment
Total imported bottle wine, 2003**



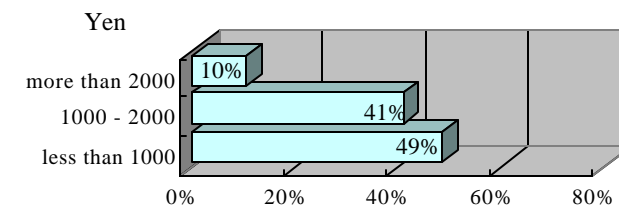
US, 2003



France, 2003



Italy, 2003



Source: WANDS

California wines can now be found at Chinese, Japanese and even French restaurants, in addition to those that serve California-style cuisine.

3.3.2 France

For many Japanese wine drinkers, France is synonymous with wine. It offers a broad range of products and is strong in all price segments; however, French bottled wine exports to Japan decreased by 8 percent in 2003 reflecting increasing competition, the strong Euro relative to the dollar, and the decline of overall wine imports in Japan. One of the wine categories that has been steadily growing is Beaujolais Nouveau. This seasonal wine has become popular among Japanese consumers, who are known to be especially fond of seasonal food products and tend to be enthusiastic about the wine's annual November release. The sales of Beaujolais Nouveau in 2003 reached a record volume and accounted for more than 10% of total French wine imports. Although too early to comment on 2004 Beaujolais Nouveau domestic sales in later November (at the time of this report), it appears Beaujolais Nouveau's popularity is increasing, with imports up 20 percent from last year. Other major French wine types - i.e. Bordeaux, Bourgogne and Rhône - all declined in 2003.

3.3.3 Italy

Italian wine exports to Japan exploded in the 1990s along with the growing popularity of Italian cuisine and a sharp rise in the number of Italian restaurants. Sales have leveled off in recent years, however, and exports in 2003 declined by 8 percent, a back-to-back decrease since 2001. Price competition has hit Italian wines at the lower end of the market while midrange products are also coming under price pressure. Stricter enforcement of drunk driving laws has also reduced consumption of Italian wine, which depends heavily on restaurant sales.

3.3.4 Chile

Chile, one of the most successful "New World" producers, emerged in Japan around 1998 as a maker of reasonably priced, good quality wine. Excess inventories in subsequent years have led to steep price discounts and a "cheapening" of the country's brand image. Nevertheless, Chilean wine maintains a significant presence, especially in retail outlets.

3.3.5 Germany

German wine exports to Japan, which are predominantly white wines, have fallen by 60% since the red wine boom in 1998. While still significant and promoted aggressively, there is no indication this trend will be reversed.

3.3.6 Australia

Australia, with a 2002/03 growth rate of 8.7%, is one of only a few countries that has shown steady growth for the past several years. Sales of Australian wine have continued to expand even more in 2004. One of the fastest growing Australian brands in Japan is Yellow Tail, which has already gained immense popularity in the United States.

3.3.7 Promotional activities of European and New World competitors

Various organizations established by US competitors are promoting their wine exports to Japan (See Fig. 16). **Sopexa** is a French trade promotion organization for all food and drink products, but nearly 95% of its budget is spent for wine. Their activities range from TV ads to sommelier contests. **CICV** (Comite Interprofessionnelle de Vin de Champagne), another promotional

organization of France, specializes in the promotion of Champagne and became independent from SOPEXA in 1997. **ICE** (Italian Trade Commission) promotes overall Italian export product and wine is a key focus. The German Wine Foundation Japan Office was founded in 2000 and is now focusing on promotion in the retail sector.

Fig. 16: Wine export promotion organization of major countries

Country	Name	No. of staffs	2004 budget (US\$)	Type of promotional activities*
France	SOPEXA	12	7,000,000	1, 2, 3, 4, 5
	CIVC	2	250,000	1, 2, 4, 5
Italy	ICE	3	400,000	1, 2, 4
Germany	German Wine Foundation Japan office	3	400,000	1, 2, 3, 4
Chile	Chilean Embassy	1	100,000	2, 4
Spain	Spanish Embassy	2	300,000	1, 2, 3, 4
Australia	Wine of Australia	2	300,000	2, 3, 4
South Africa	Wine Institute of South Africa	1	30,000	2
Argentina	Argentina Embassy	1	30,000	2
Portugal	ICEP	2	20,000	1, 4
Austria	Austrian Embassy	2	50,000	2, 4
Canada	Canadian Embassy	1	20,000	2

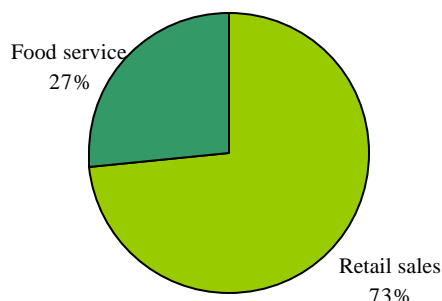
*1. TV, magazine, newspaper, and other advertisement 2.Organizing seminars and other events 3.PR activities in restaurants or stores 4.Trade shows participation 5.Newsletters

Source: California Wine Institute

3.4 Distribution channels

Nearly three-fourths of all wine consumed in Japan is sold at retail; the remainder moves through restaurants, food service outlets, bars and others.

**Fig. 17: Wine sales by distribution channel
2003**



Source: Fuji Keizai

3.4.1 Retail

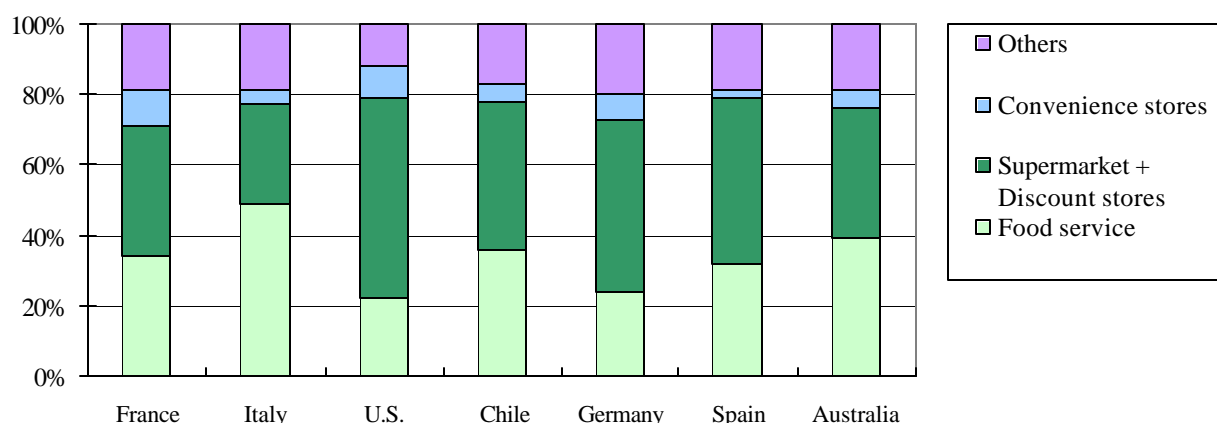
Wine distribution – as well as other alcohol distribution - is regulated under the Liquor Tax Law, and is applied to retailers that hold liquor licenses. Domestic wine distribution is generally a three- or four-tiered system from manufacturer to retailer, with one or two wholesalers in between.

There are many types of retail distribution channels:

- . Direct imports by Japanese domestic manufacturers (e.g. Suntory, Mercian).
- . Imports through specialist trading companies.
- . Direct imports by department stores or large discount stores that sell through their own channels.
- . Imports by specialist wine importers who sell products directly to consumers.

In the late 1980s, as some discount stores and importers started to import wine directly, the price of imported wine in Japan eventually came down to the international market price. As more and more low-price wines appear on the market, the sales share of mass merchandisers and convenience stores is sure to grow. Online retailers have also seen strong increases in sales as they focus on small-lot shipments and other methods of lowering logistics costs.

The sales breakdown by retail distribution channel differs according to country of origin (see Fig. 17). US wines have a fairly high proportion (57%) of sales at supermarket and discount stores. This tendency reflects the rapid growth of lower-priced California wines that are mainly sold by these kinds of retailers. Italian wine, on the other hand, depends heavily on in-restaurant consumption (49%).

Fig. 18: Sales breakdown of bottle wine by retail distribution channel

Deregulation of liquor retail licensing

In September 2003, the Japanese government abolished restrictions that had limited the distribution of retail liquor licenses. This long-awaited deregulatory measure had been expected to boost the number of liquor-selling retailers throughout the country and have a profound impact on the way alcoholic beverages are sold in Japan. More than 20,000 shops applied for the license just after the act was implemented.

However, it appears that the deregulation is taking time to take effect. One reason is that the government enacted an “anti-deregulation measure” that tentatively restricted liquor license distribution in certain areas until August 2005 to protect small liquor shops likely to be affected by the changes. This anti-deregulation measure was adopted in regions that together account for 27 percent of Japan’s total area from September 2003 to August 2004 and in 37.7 percent from September 2004 to August 2005. From September 2005, there is virtually no restriction for liquor selling license.

Various administrative problems also delayed the issuance of new liquor licenses; most applicants did not receive their licenses for several months. As of October 2004, about one year after deregulation, most of the licenses have been issued and the number of convenience stores and super markets that sell liquor has increased significantly. Still, it is too early to tell how exactly this increase in alcohol retailers will affect wine sales in Japan.

The following table shows the change in the number of liquor wholesalers and retailers over the past several years. With the establishment of direct import channels, wholesalers have begun to play a less important role and their numbers are declining. In addition, more than 25,000 small and medium-scale liquor retailers have shut their doors in the run-up to deregulation. Although the table does not cover the movement later than April 2003, it is certain that the number of license holders at retail has jumped. After accounting for the number of major retail chains that had acquired licenses as of November 2004, this amounts to nearly 190,000 license holders compared to 185,000 in all of 2003.

Fig. 19: Annual change in number of liquor license-holders (1997-2003)

	Wholesale	Retail	Total
1997	17,117	166,883	184,000
1998	16,847	171,848	188,695
1999	16,627	175,095	191,722
2000	16,489	177,482	193,971
2001	16,250	176,873	193,123
2002	15,983	182,022	198,005
2003	15,755	184,567	200,412

Source: National Tax Agency

All kinds of potential sales channels for alcohol have been created by deregulation, e.g. supermarkets, general merchandise stores, drugstores and DIY stores. Most new sales channels created by deregulation are likely to focus on lower-priced products, where major US wines are well positioned.

IV. KEY ISSUES AFFECTING THE WINE MARKET

1.11 4.1 Mandatory inclusion of consumption tax in displayed price

Previously, Japan's 5% consumption tax had been excluded from price displays for all commodities. However, in April 2004, the Ministry of Internal Affairs and Communications implemented a law requiring the inclusion of consumption tax in all displayed prices. This change significantly affects lower-end wines that are sold at targeted price-points. For example, a wine costing ¥498 must now be displayed with the less eye-catching price of ¥523.

1.12 4.2 Complete implementation of liquor sales deregulation

In September 2003, the Japanese government abolished restrictions that had limited the issuance of retail liquor licenses. The implementation of this long-awaited deregulatory measure was somewhat delayed due to the bottleneck of license issuances and the temporary anti-deregulation measure proposed by government. However, as of November 2004 most of the license issuances have been completed and the number of retail liquor outlets had increased significantly. (see 3.4.1, pp. 18-20).

1.13 4.3 Exchange rate issues

The euro-yen exchange rate remains high - still more than ¥130 per euro. Many importers have consequently been forced to increase the price of their European wines. On the other hand, the US dollar has remained low, at around ¥105-110. To date, this weak dollar has not been reflected in retail prices for US wines.

1.14 4.4 Impact of the 2003 liquor tax hike

The liquor tax on wine was raised about ¥10 per 750ml bottle in May 2003. Though taxes on beer, happoshu, and sake compound were also raised, all other alcoholic beverages remained unchanged. This tax hike was another driving force behind the wine price markups and negatively affected wine sales in 2003/04.

1.15 4.5 Organic wine

European and American consumers are increasingly conscious of food safety and the environment. Reflecting these concerns, many California wineries are producing organic grapes and wines. This trend toward a greater concern for the environment and food safety is also apparent in Japan, where consumers are showing increasing interest in organic products. According to one manager of a specialty wine shop, "The share of organic wine sales is still less than 10 percent of the total, but the number of organic wine drinkers is definitely increasing. They don't mind paying higher prices for organic wine."

Since 2001, foods and beverages must meet the requirements of the Japan Agricultural Standards (JAS) law to be certified organic in Japan. US producers can arrange to be certified in the United States under the USDA's organic program, which is recognized by JAS. As for other imported alcoholic beverages, the Japanese government recognizes the organic standards of certain

countries, including the United States. Despite the new JAS organic standards, some importers complain that the rules are ambiguous and fail to meet consumer needs.

APPENDIX I: LEGAL REGULATIONS RELATED TO THE WINE TRADE

1. Food Sanitation Law requirements

Under the Food Sanitation Law, the Japanese Ministry of Health, Labor and Welfare (MHLW) outlines the permissible quantities of wine coloring agents and preservatives used as additives. All wines imported as gifts or for sale and other commercial purposes are subject to the Food Sanitation Law. Import notification is also required. Importers must submit a “Notification Form for Importation of Foods, etc.” to the quarantine station with jurisdiction over the port of entry. Depending on the content of this notification form and the import history of the wine, inspection may be required.

According to JETRO, if the wine is being imported into Japan for the first time, it may be exempted from inspection requirements at the quarantine station if the importer attaches a statement of voluntary inspection results performed in advance by official laboratories designated by the MHLW, or by official laboratories in the exporting country. For details on permissible wine additives, please refer to the Japanese Food Sanitation Law (www.jetro.go.jp/se/e/standards_regulation/food2003mar-e.pdf).

2. Labeling requirements

Fig.20 lists labeling requirements for wine. Labeling must be in Japanese and must be attached to the container in a visible location. Wine without required labeling may not be sold, displayed with intent to sell, or used for other commercial purposes.

Fig. 20: Labeling requirements for wine

Label Item	Requirement	Name of Statute*
Product Name	Wine, fruit wine, or sweetened fruit wine	FSL
Food Additives	Name of substance (and usage category) of anti-oxidants or synthetic preservatives, etc.	FSL
Alcohol Content	Label must list the ethyl alcohol content at 15°C as a percentage of total volume rounded to the nearest percentage point. (Example: "14%" or "Over 14% and less than 15%")	LBA/MSR/LT
Container Volume	Listed in milliliters (<i>ml</i>) or liters (<i>l</i>)	LBA/MSR/LT, ML
Type	Sparkling wine labels must state, "Contains carbonation," or "carbon dioxide gas mixture."	LBA/MSR/LT
Country of Origin	The country of origin	AUPMR
Name and Address of Importer	Wines must list the name and address of the importer	FSL, LBA/MSR/LT
Destination	Label must list the destination after removal from the bonded area or the location of the bottler or packager. However, a symbol may be used with the permission of the Ministry of Finance	LBA/MSR/LT
Other Requirements	(1) Blends of imported and domestic wine Wines made from mixtures of domestic and imported wines must list the wines in order of quantity. For example, "Made from domestic and imported wine."	Voluntary industry standard
	(2) Geographic labeling Geographic brand names such as Bordeaux and Chablis, whose product quality and reputation fundamentally arise from place of origin, can only be used on products that actually originate from the said region.	Labeling standard based on LBA/MSR/LT and ML
	(3) Labeling to prevent consumption by minors All liquor containers must clearly state that "Consumption of alcohol by minors is prohibited," or "Alcohol may only be consumed by those age 20 or over."	Labeling standard based on LBA/MSR/LT and ML
	(4) Promotion of recycling of liquor containers Products packed in steel cans, aluminum cans, and PET bottles must have a mark on the container identifying the packaging material type.	Law for Promotion of Utilization of Recycled Resources
	(5) Warning of risks to pregnant and breast-feeding women Pregnant and nursing mothers are advised that consumption of alcohol may adversely affect their infant's health. For example, "Drinking alcohol while pregnant or breast-feeding may harm the fetus or infant."	Voluntary Industry Standard

* · Food Sanitation Law: FSL (http://www.jetro.go.jp/se/e/standards_regulation/food2003mar-e.pdf)

· Measurement Law: ML (http://www.jetro.go.jp/se/export_to_japan/files/oto/o-44.html)

· Law Concerning Liquor Business Association and Measures for Securing Revenue from Liquor Tax: LBA/MSR/LT (http://www.jetro.go.jp/se/export_to_japan/files/oto/o-31.html)

· Act against Unjustifiable Premiums and Misleading Representation: AUPMR (http://www.jetro.go.jp/se/export_to_japan/files/std/s-10.pdf)

Source: JETRO Marketing Guidebook for Major Imported Products - Wine 2002

1.16 3. Requirements under the new packaging recycling law

The Japanese government began full implementation of the Packaging Recycling Law in April 2000, which requires the industry to recycle all paper and plastic packaging, glass bottles, steel and aluminum cans, PET bottles, and other plastic and paper containers. Manufacturers, distributors, and retailers who manufacture and/or use the materials are responsible for recycling costs. For imported products, importers are likely to be held responsible for such costs.

In the case of wine, according to industry sources, some importers have requested that exporters use colorless glass bottles if possible, and a number of wines in clear bottles have appeared on the market. However, this is only appropriate for less-expensive or early drinking wines that will be consumed within two to three weeks after purchase. For premium wines, the industry continues to generally use colored bottles despite added recycling costs. Green bottles pose the biggest problem since there is very limited use for them as a recycled product.

Current recycling charges by type of container, effective through FY2004 (April-March), to be paid to the Japan Containers and Packaging Recycling Association are as follows:

Colorless glass	¥2,800/metric ton
Brown glass	¥4,800/metric ton
Green/other colored glass	¥8,000/metric ton
PET bottles	¥48,000/metric ton
Paper containers	¥19,200/metric ton
Plastic containers	¥73,000/metric ton

4. Tariff and tax situation

WTO Uruguay Round tariff reductions

Import duties on wine were gradually reduced with implementation of the WTO Uruguay Round agreement. The final reduction came in April 2000, when, most notably, the tariff rate on bottled wine was lowered to 15% (or ¥125/l, whichever is less with a minimum of ¥67/l) from its 1999 level of 21.3% (or ¥150.83/l, whichever is less with a minimum of ¥80.83). Reductions in tariffs on other wine categories have also gone into effect, as summarized on the next page.

Tariff Rates on Wine (as of November 2004)

Bottled Wine	
-HS220421020 (2L or less)	15% or ¥125/l, whichever is less with a minimum of ¥67/l
-HS220429010 (2L to 150L)	15% or ¥125/l, whichever is less with a minimum of ¥67/l
Sparkling Wine	
-HS220410000	¥182/l
Wine Coolers	
-HS220600221 (Other fermented beverage mixtures)	¥27/l
Bulk Wine	
- HS220429090 (>150L)	¥45/l
Grape Must	
-HS220430191 (1%+ alcohol, less than 10% sucrose by weight)	19.1%
-HS220430200 (1% + alcohol – other)	¥45/l
Vermouth	
-HS220510000 (2L or less)	¥69.3/l
-HS220590200 (1%+ alcohol)	¥69.3/l
Sherry/Fortified Wine	
-HS220421010	¥112/l

Source: Customs Tariff Schedules of Japan 2004, Japan Tariff Association

Liquor Tax Law regulations

The liquor tax rate was increased by 30 % for wine and 10% for sweetened wine in May 2003. This increase is reflected in higher prices for most alcoholic beverages and has resulted in a slight decrease of total alcohol consumption.

Tax rate on wine before/after the tax increase

		Per kiloliter	Per 750ml bottle
Wine	Before	56,500yen/kl	42yen/bottle
	After	70,472yen/k	53yen/bottle
Sweetened wine	Before	98,600yen/kl	74yen/bottle
	After	103,722yen/kl*	78yen/bottle

*For liquors with an alcohol content of 13 percent or higher, an additional 8,644yen/kl (8,220yen before increase) is levied for each percentage point above 12 percent.

Exchange Rates

The following exchange rates are used throughout this report:

1999	¥113.91 /\$	¥120.73 /€	
2000	¥107.77 /\$	¥ 99.22 /€	
2001	¥121.53 /\$	¥108.28 /€	
2002	¥125.31 /\$	¥118.99 /€	
2003	¥115.93 /\$	¥132.29 /€	
2004*	¥109.94 /\$	¥133.92 /€	(*Jan- Oct average)

Source: US Treasury Department; Bank of Japan.

APPENDIX II: STATISTICAL TABLES

Table 1: Wine imports by type

Volume (000 hectoliters)				
	2001	2002	2003	2004 nine months increase (decrease) from 2003 %
Bottled Wine	1,366.8	1,360.3	1,301.9	1.8
HS220421020 (2L or less)	1,306.5	1,296.1	1,231.2	1.7
HS220429010 (2L to 150L)	60.2	64.2	70.6	3.0
Sparkling Wine	124.3	133.2	138.9	30.2
HS220410000	124.3	133.2	138.9	30.2
Wine Coolers	37.1	46.7	91.7	46.6
HS220600221	37.1	46.7	91.7	46.6
Bulk Wine	191.0	177.6	162.5	(1.8)
HS220429090 (>150L)	191.0	177.6	162.5	(1.8)
Grape Must	56.5	60.7	67.0	18.9
HS220430191 (1%+ alcohol, less than 10% sucrose by weight)	0	0	0	
HS220430200 (1%+ alcohol - other)	56.5	60.7	67.0	18.9
Vermouth	26.9	21.1	17.8	(18.7)
HS220510000 (2L or less)	26.4	20.5	17.6	(19.0)
HS220590200 (1%+ alcohol)	0.5	0.6	0.2	(5.7)
Sherry/Fortified Wine	9.4	8.5	8.6	19.2
HS220421010	9.4	8.5	8.6	19.2

(Table 1 continued)

Value (¥ mill)				
	2001	2002	2003	2004 nine months increase (decrease) from 2003 %
Bottled Wine	74,928	78,900	80,355	0.6
HS220421020 (2L or less)	73,847	77,614	79,061	0.7
HS220429010 (2L to 150L)	1,080	1,286	1,295	(1.7)
Sparkling Wine	16,964	18,252	21,012	39.7
HS220410000	16,964	18,252	21,012	39.7
Wine Coolers	930	1,286	1,840	21.6
HS220600221	930	1,286	1,840	21.6
Bulk Wine	2,268	1,867	1,602	(7.0)
HS220429090 (>150L)	2,268	1,867	1,602	(7.0)
Grape Must	1,200	1,119	1,086	29.8
HS220430191 (1%+ alcohol, less than 10% sucrose by weight)	0	0	0	
HS220430200 (1%+ alcohol - other)	1,200	1,119	1,086	29.8
Vermouth	809	575	552	(17.0)
HS220510000 (2L or less)	798	567	548	(17.1)
HS220590200 (1%+ alcohol)	11	8	4	(4.5)
Sherry/Fortified Wine	682	636	734	20.5
HS220421010itukus ...	682	636	734	20.5

Source: World Trade Atlas, based on Japan Customs data (CY January - December).

Table 2: Bottled wine imports by supplying country

Volume (000 hectoliters)						
Rank	Country	2001	2002	2003		2004*
				Volume	Share (%)	Increase (decrease) from 2003 (%)
1	France	587.9	617.2	566.0	43.5	1.1
2	Italy	296.8	280.1	257.9	19.8	(6.9)
3	United States	154.8	148.3	178.5	13.7	1.5
4	Chile	90.9	78.2	74.1	5.7	7.1
5	Germany	96.4	85.5	67.3	5.2	(5.5)
6	Spain	50.7	59.7	65.4	5.0	9.0
7	Australia	45.2	48.2	52.4	4.0	31.2
8	South Africa	13.4	15.8	15.0	1.2	(8.0)
9	Argentina	6.9	6.6	7.0	0.5	22.2
10	Portugal	4.3	4.1	4.0	0.3	(8.2)
	Others	19.5	16.7	14.3	1.1	65.1
	Total	1366.8	1360.3	1301.9	100.0	1.8

Value (¥ mill)						
Rank	Country	2001	2002	2003		2004*
				Value	Share (%)	Increase (decrease) from 2003 (%)
1	France	43,752	46,842	48,051	59.8	2.5
2	Italy	11,446	12,440	12,782	15.9	(7.4)
3	United States	6,662	6,618	6,486	8.1	(9.9)
4	Germany	3,580	3,492	3,186	4.0	(4.1)
5	Chile	3,659	3,273	2,936	3.7	(4.5)
6	Australia	1,815	2,059	2,468	3.1	28.6
7	Spain	1,826	2,038	2,343	2.9	7.2
8	South Africa	482	563	535	0.7	(9.2)
9	New Zealand	301	280	341	0.4	27.2
10	Argentina	328	300	298	0.4	14.3
	Others	1,075	996	930	1.0	43.4
	Total	74,928	78,900	80,355	100.0	(0.8)

*Estimate based on nine months data

Source: World Trade Atlas, based on Japan Customs data (CY January - December).

Table 3: Sparkling wine imports by supplying country

Volume (000 hectoliters)						
Rank	Country	2001	2002	2003		2004 *
				Volume	Share (%)	Increase (decrease) from 2003 (%)
1	France	52.8	55.1	61.3	44.1	35.0
2	Italy	35.7	39.7	38.7	27.8	25.7
3	Spain	20.4	20.6	19.1	13.7	27.0
4	United States	6.3	7.6	8.1	5.8	(3.4)
5	Germany	6.1	6.6	7.2	5.2	21.0
	Others	3.1	3.6	4.6	3.4	34.0
	Total	124.3	133.2	138.9	100.0	30.2

Value (¥ mill)						
Rank	Country	2001	2002	2003		2004*
				Value	Share (%)	Increase (decrease) from 2003 (%)
1	France	13,403	14,235	16,943	80.6	41.2
2	Italy	1,738	2,071	2,074	9.9	28.1
3	Spain	1,028	1,082	1,076	5.1	33.8
4	Germany	260	293	355	1.7	12.1
5	United States	310	335	266	1.3	11.6
	Others	226	239	297	1.4	55.6
	Total	16,964	18,256	21,012	100.0	39.7

*Estimate based on nine months data

Source: World Trade Atlas, based on Japan Customs data (CY January - December).

1.17 Table 4: Wine cooler imports by supplying country

Volume (000 hectoliters)						
Rank	Country	2001	2002	2003		2004*
				Volume	Share (%)	Increase (decrease) from 2003 (%)
1	China	0.0	0.0	44.9	48.9	174.1
2	United States	21.7	29.5	31.6	34.5	(41.4)
3	France	5.5	6.7	9.3	10.1	12.2
4	Germany	8.1	8.8	4.1	4.5	11.0
5	Belgium	0.2	0.4	1.1	1.2	(52.2)
	Others	1.5	1.3	0.7	0.8	252.9
	Total	37.1	46.7	91.7	100.0	46.6

Value (¥ mill)						
Rank	Country	2001	2002	2003		2004*
				Value	Share (%)	Increase (decrease) from 2003 (%)
1	France	289	397	593	32.1	22.0
2	United States	438	654	551	29.9	(53.7)
3	China	0	0	546	29.7	157.1
4	Germany	162	188	108	6.0	10.9
5	Belgium	5	9	25	1.1	(50.7)
	Others	37	38	18	1.2	247.5
	Total	930	1286	1840	100.0	21.6

*Estimate based on nine months data

Source: World Trade Atlas, based on Japan Customs data (CY January - December).

1.18 Table 5: Bulk wine imports by supplying country

Volume (000 hectoliters)						
Rank	Country	2001	2002	2003		2004*
				Volume	Share (%)	Increase (decrease) from 2003 (%)
1	Argentina	50.6	48.8	53.1	32.7	(0.7)
2	Chile	18.7	30.4	42.4	26.1	34.6
3	Bulgaria	28.4	30.0	19.3	11.9	(40.5)
4	France	9.7	15.6	9.4	5.8	(45.7)
5	Spain	14.4	7.4	7.0	4.3	(36.1)
6	Italy	6.6	12.7	6.9	4.3	(7.6)
7	Macedonia	7.5	6.1	6.6	4.1	(38.0)
8	United States	6.3	4.8	4.8	2.9	25.9
9	South Africa	9.6	7.0	3.1	1.9	(59.8)
10	Romania	13.5	4.6	2.7	1.7	27.5
	Others	25.6	10.3	7.2	4.3	(50.0)
	Total	191.0	177.6	162.5	100.0	(13.5)

Value (¥ mill)						
Rank	Country	2001	2002	2003		2004*
				Value	Share (%)	Increase (decrease) from 2003 (%)
1	Chile	266	310	398	24.8	37.2
2	Argentina	489	391	360	22.5	(4.9)
3	France	188	261	193	12.0	29.5
4	Bulgaria	293	285	158	9.9	(42.3)
5	Italy	96	154	114	7.1	(42.4)
6	Spain	218	94	88	5.5	(54.0)
7	United States	167	84	83	5.2	(44.4)
8	Macedonia	81	56	59	3.7	(71.1)
9	Hungary	51	63	35	2.2	(48.2)
10	Romania	120	47	30	1.9	51.8
	Others	298	122	84	5.2	(2.5)
	Total	2,268	1,867	1,602	100.0	(7.0)

*Estimate based on nine months data

Source: World Trade Atlas, based on Japan Customs data (CY January - December).

1.19 Table 6: Grape must imports by supplying country

Volume (000 hectoliters)						
Rank	Country	2001	2002	2003		2004*
				Volume	Share (%)	Increase (decrease) from 2003 (%)
1	Argentina	50.1	49.5	50.2	75.0	17.0
2	Chile	3.2	8.1	11.6	17.4	43.6
3	South Africa	3.3	3.0	4.9	7.2	(25.1)
	Others	*	0.1	0.3	0.4	1413.2
	Total	56.5	60.7	67.0	100.0	18.9

Value (¥ mill)						
Rank	Country	2001	2002	2003		2004*
				Value	Share (%)	Increase (decrease) from 2003 (%)
1	Argentina	1,069	876	738	68.0	29.0
2	Chile	73	183	263	24.2	46.3
3	South Africa	58	50	74	6.8	(28.9)
	Others	1	10	11	1.0	942.3
	Total	1,200	1,119	1,086	100.0	29.8

*Estimate based on nine months data

**:less than 1%

Source: World Trade Atlas, based on Japan Customs data (CY January - December).

1.20 Table 7: Vermouth imports by supplying country

Volume (000 hectoliters)						
Rank	Country	2001	2002	2003		2004*
				Volume	Share (%)	Increase (decrease) from 2003 (%)
1	Italy	8.8	5.3	5.8	32.8	(26.6)
2	Spain	4.4	6.5	4.5	25.5	(20.0)
3	France	3.6	2.4	3.3	18.8	(5.0)
4	China	4.6	3.3	3.4	18.9	(13.5)
5	Germany	0.3	0.8	0.6	3.3	(31.6)
	Others	5.1	2.7	0.1	0.7	9.8
	Total	26.9	21.0	17.8	100.0	(18.7)

Value (¥ mill)						
Rank	Country	2001	2002	2003		2004*
				Value	Share (%)	Increase (decrease) from 2003 (%)
1	Italy	302	184	204	36.8	(23.9)
2	France	163	113	165	29.7	(1.9)
3	China	131	96	87	15.7	(18.6)
4	Spain	86	111	85	15.3	(20.9)
5	Germany	6	12	9	1.6	12.5
	Others	4	5	5	0.9	37.0
0	Total	809	575	555	100.0	(16.2)

*Estimate based on nine months data

Source: World Trade Atlas, based on Japan Customs data (CY January - December).

1.21 Table 8: Sherry/fortified wine imports by supplying country

Volume (000 hectoliters)						
Rank	Country	2001	2002	2003		2004*
				Volume	Share (%)	Increase (decrease) from 2003 (%)
1	Portugal	4.9	4.2	4.5	52.0	25.6
2	Spain	2.8	2.9	2.5	28.5	40.7
3	Italy	1.0	0.9	0.8	9.5	11.4
4	United States	0.3	0.2	0.4	5.0	(31.2)
5	France	0.2	0.4	0.4	4.3	(62.6)
	Others	0.3	0.1	0.1	0.7	54.3
	Total	9.4	8.5	8.6	100.0	19.2

Value (¥ mill)						
Rank	Country	2001	2002	2003		2004*
				Value	Share (%)	Increase (decrease) from 2003 (%)
1	Portugal	398	339	424	57.8	30.4
2	Spain	191	198	195	26.6	41.6
3	France	27	45	48	6.5	(62.2)
4	Italy	40	40	46	6.3	(5.4)
5	United States	10	8	14	1.9	(33.3)
	Others	15	6	6	0.9	(5.0)
	Total	682	636	734	100.0	20.5

*Estimate based on nine months data

Source: World Trade Atlas, based on Japan Customs data (CY January - December).